



Economic Development Incentives 2021

JLARC evaluation of economic development incentives

- Appropriation Act directs JLARC to evaluate economic development incentives on ongoing basis
 - Spending and business activity
 - Economic benefits
 - Effectiveness

2021 Appropriation Act Special Session I, Chapter 552, Item 32 (F).

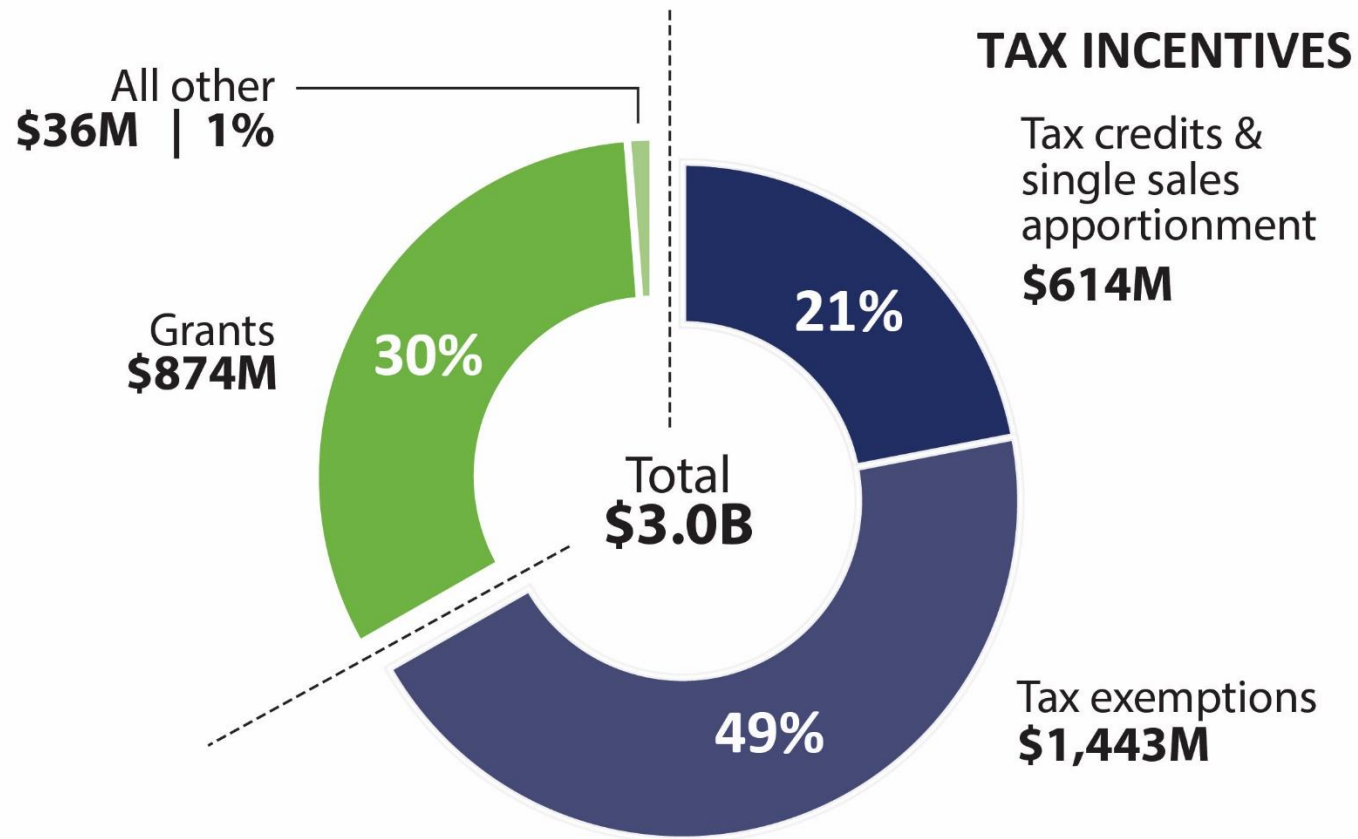
In brief

Virginia spent \$3 billion on 84 economic development incentives from FY11 to FY20. The majority of spending was for tax incentives, particularly sales tax exemptions.

Incentive spending has increased since FY16 because of increased spending for the data center exemption and several other large incentives.

Grant awards increased substantially in FY19 because of custom grants for Amazon HQ2 and 2 other companies. Spending on grants will increase substantially as these custom awards are paid.

Virginia spent \$3 billion on economic development incentives (FY11–FY20)



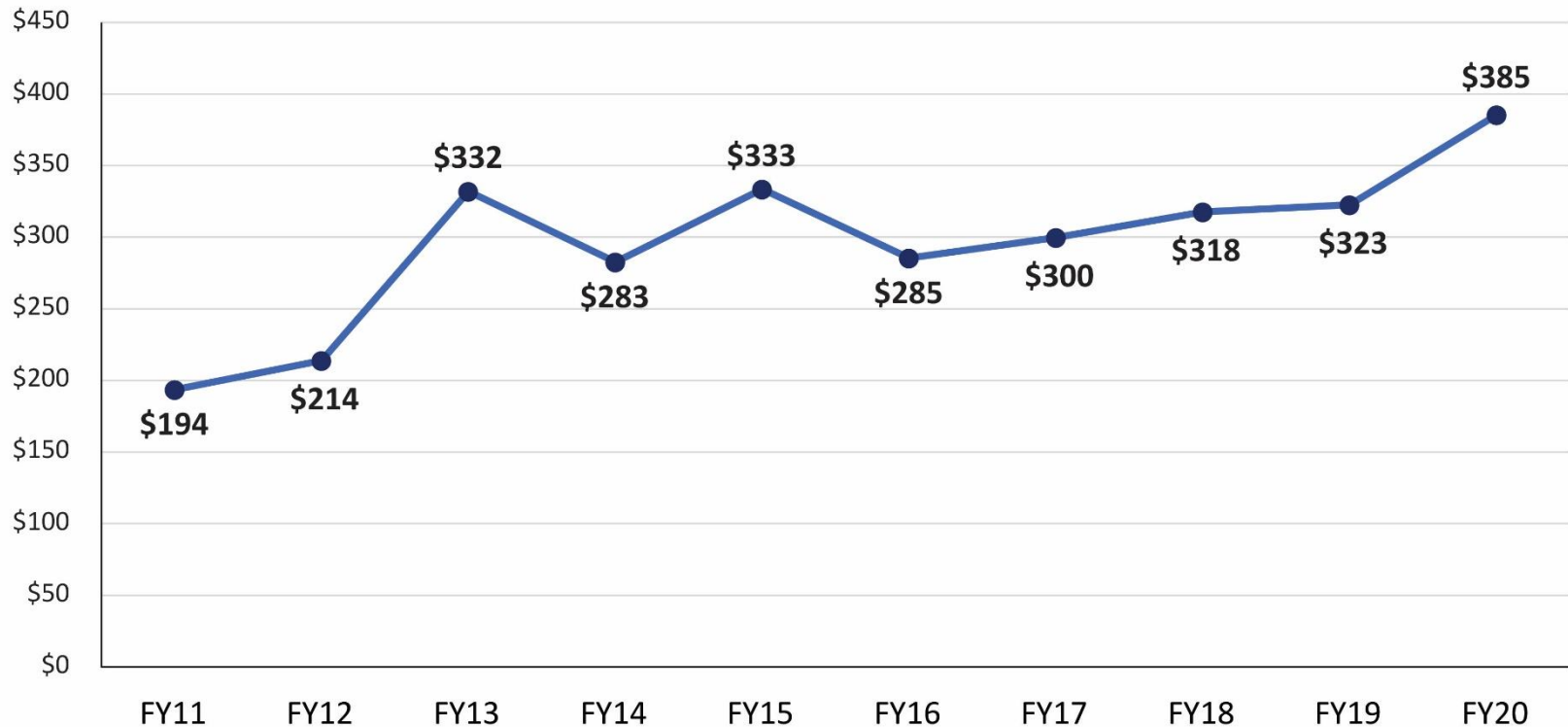
Adjusted for canceled projects, recaptures, and award reductions.

Ten incentives account for over two-thirds of spending on incentives (FY11–FY20)

Incentive	Spending	% of spending
Data Center Exemption	\$837M	28%
Railroad Common Carriers Exemption	210	7
Coalfield Employment Enhancement Tax Credit	205	7
Commonwealth's Opportunity Fund	139	5
Manufacturers single sales factor apportionment	139	5
Tobacco Region Opportunity Fund	106	4
Real Property Investment Grant (Enterprise Zone)	105	4
Tobacco Region Megasite Grant	97	3
Airline Common Carriers Exemption	93	3
Virginia Coal Production and Employment Incentive Tax Credit	90	3
Subtotal	\$2,023M	68%
All others	\$943M	32%
TOTAL	\$2,966M	100%

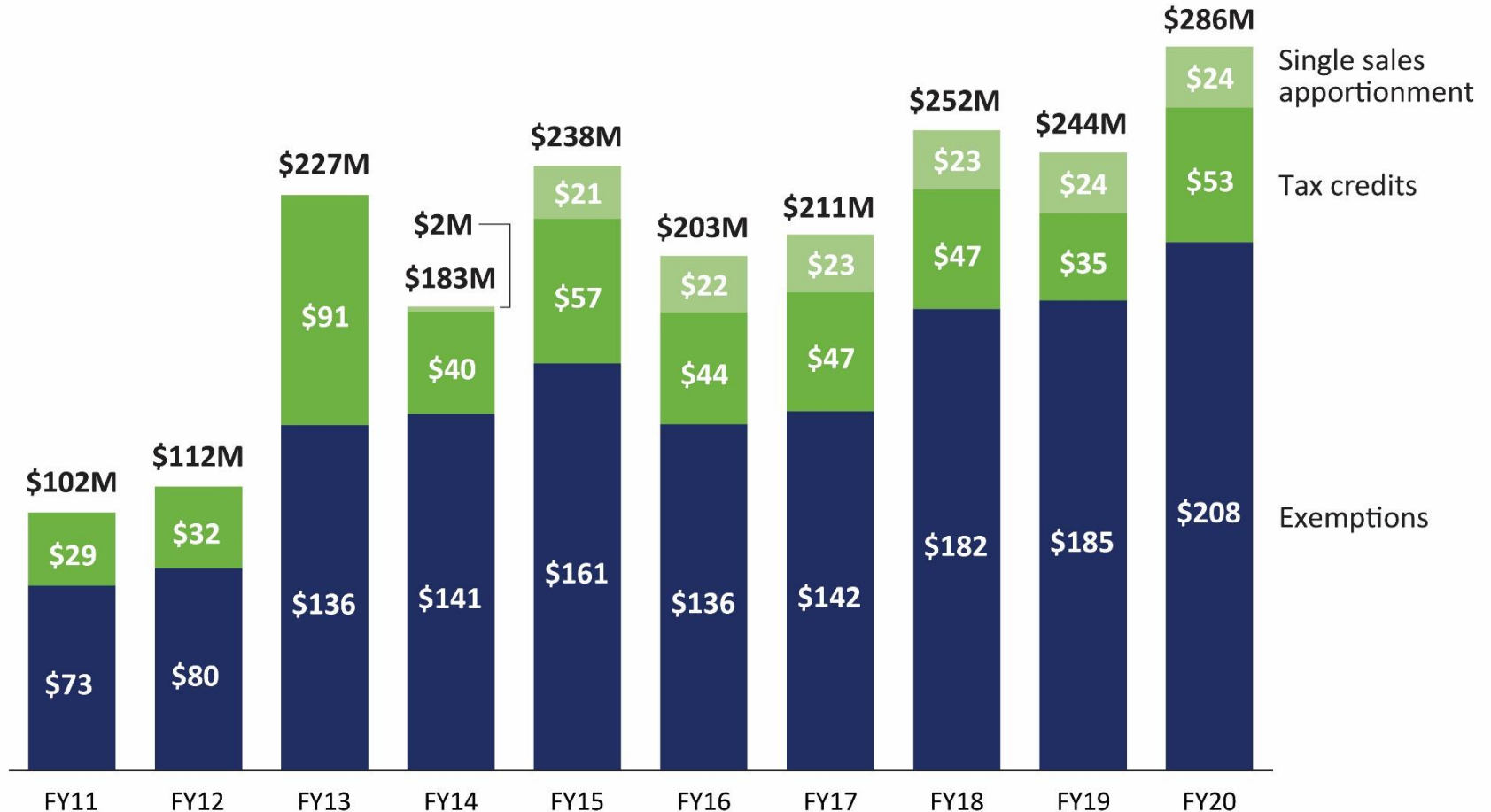
Adjusted for canceled projects, recaptures, and award reductions. Exempted amounts are estimates and exclude amounts exempted from the 1% local sales tax and the regional sales taxes.

Spending on incentives fluctuated from year to year prior to FY16 but has steadily increased since

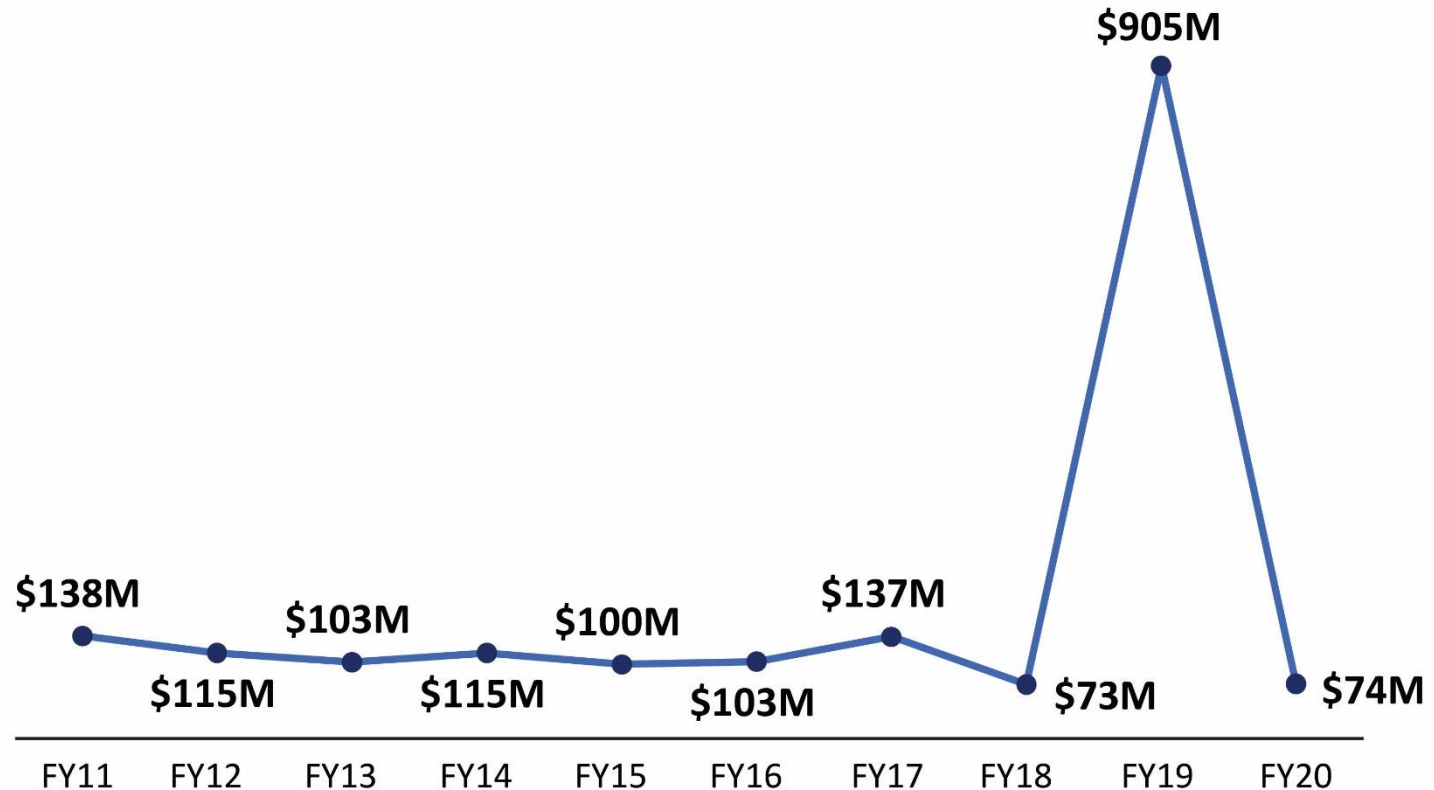


Adjusted for canceled projects, recaptures, and award reductions.

Business savings from tax incentives increased from FY11 to FY20



Grant awards increased substantially in FY19 because of three large custom grant awards



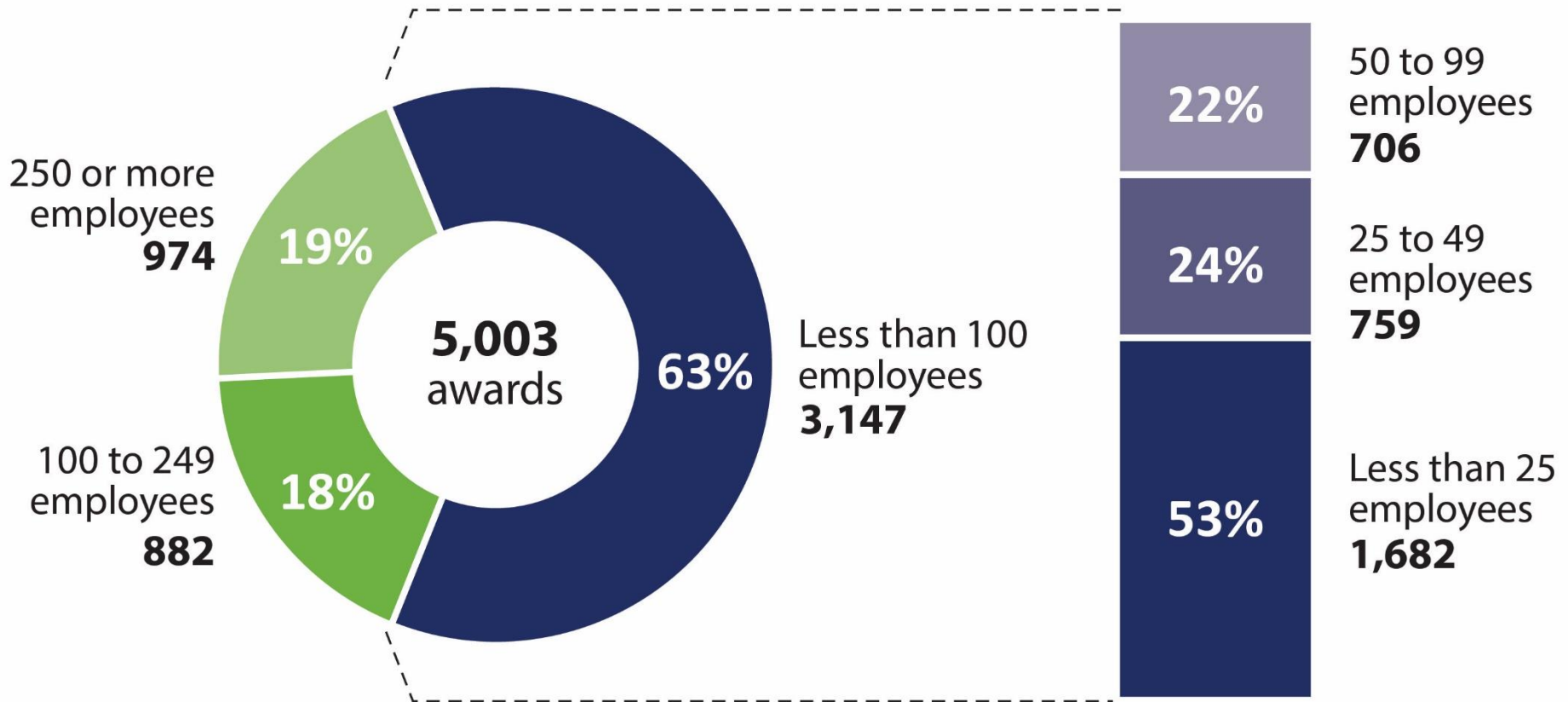
Large custom grants were awarded to Amazon HQ2 (\$750 million), Micron (\$70 million), and Amazon Web Services (\$10.5 million) in FY19.

More than 5,000 projects were awarded \$1.9 billion in grants (FY11–FY20)

Grant program	Award amount	# of awards	Annual avg. amount
Major Headquarters Workforce Grant (Amazon HQ2)*	\$750M	1	n.a.
Commonwealth's Opportunity Fund	178	313	\$18M
Tobacco Region Opportunity Fund	158	288	16
Tobacco Commission Megasite Grant	109	36	11
Real Property Investment Grant (Enterprise Zone)	106	1,545	11
Virginia Jobs Investment Program	95	937	9
Semiconductor Manufacturing Grant (Micron)*	70	1	n.a.
Virginia Investment Partnership Grant	54	68	5
Transportation Partnership Opportunity Fund	49	14	5
Advanced Shipbuilding Production Facility Grant*	46	1	n.a.
All other grants	248	1,799	26
TOTAL	\$1,862M	5,003	\$112M

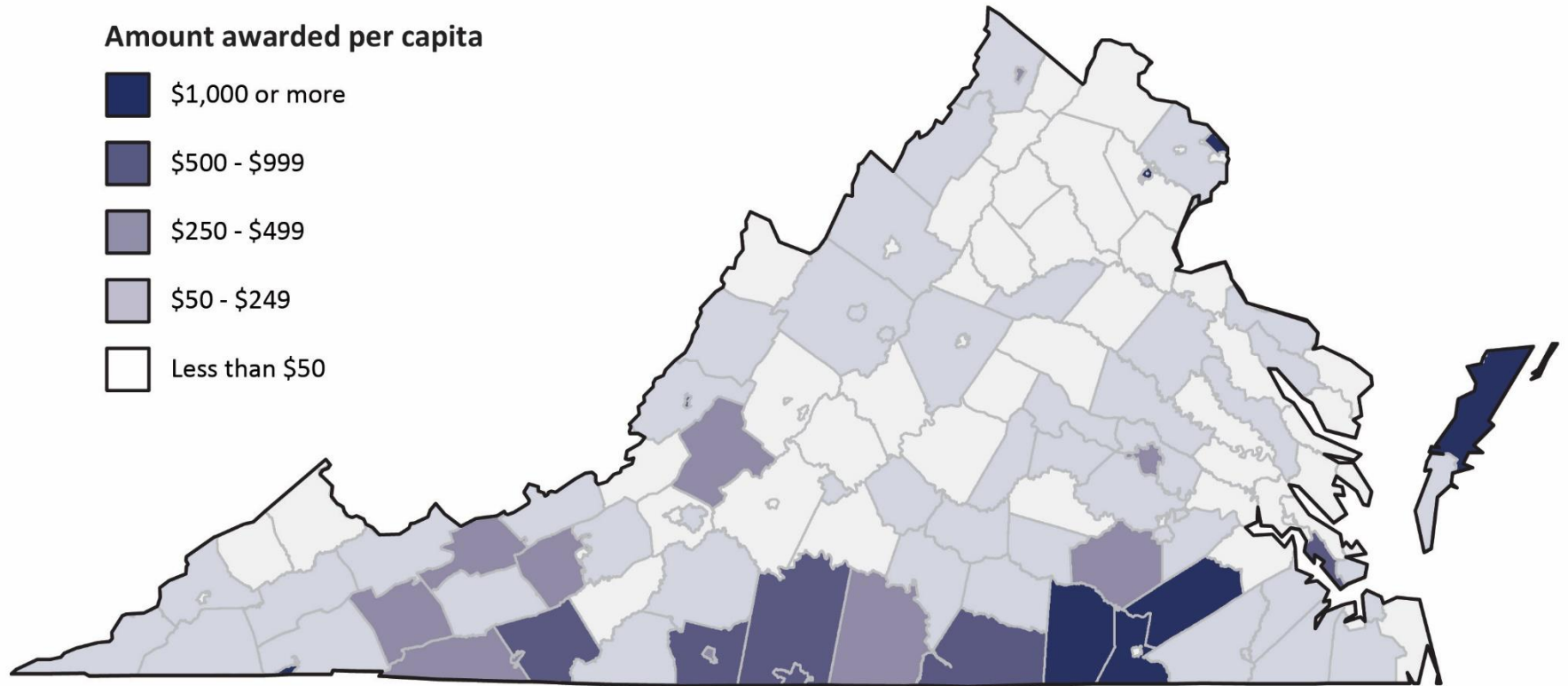
Awards not adjusted for canceled projects, recaptures, and award reductions. Numbers may not sum because of rounding. *One-time custom grant.

Majority of grants were for business locations with fewer than 100 employees (FY11–FY20)



Number of employees at time of award.

Grant awards per capita are concentrated in Arlington, Manassas City and rural localities



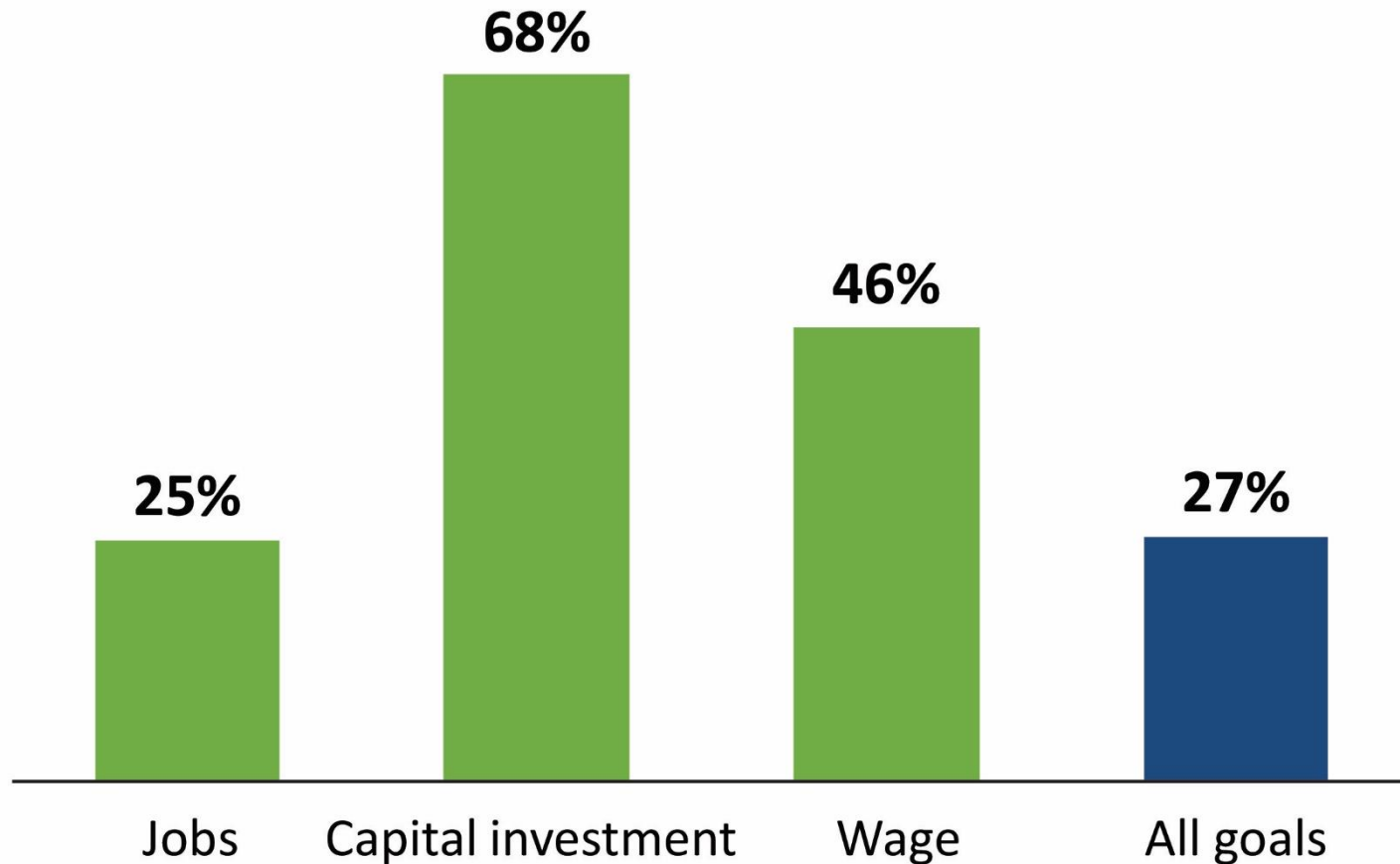
Completed grant projects created 72,000 jobs and \$18B in business investment (FY11–FY20)

Grant programs	Jobs created	Spending/ investment
Four largest programs (jobs created or spending/investment)		
Virginia Jobs Investment Program	46,235	\$7.9B
Commonwealth's Opportunity Fund	20,748	7.6
Enterprise zone grants*	14,226	2.4
Tobacco Region Opportunity Fund	5,620	2.6
Total, all grant programs (unduplicated)	72,300	\$18.0B

Completed projects represent \$505 million in awards and an estimated 3,474 projects. Research indicates that the majority of job creation and capital investment by incentive recipients would have occurred without incentives.

*Job Creation Grant and Real Property Investment Grant.

Most completed grant projects met their capital investment goal but not job or wage goals



FY11–FY20. Only includes projects from programs that establish project-specific goals (N=1,580).

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